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FOR IMMEDIATE RELEASE:

**INDIANAPOLIS MAN SENTENCED
IN CORPORATE FRAUD CASE**

PRESS RELEASE

Timothy M. Morrison, First Assistant United States Attorney for the Southern District of Indiana, announced that JOHN DELANEY, 41, Indianapolis, Indiana, was sentenced to 12 months probation, eight months of which is to be served as home detention today by U.S. District Court Chief Judge Larry J. McKinney following his guilty plea to Securities Fraud. This case was the result of a 3-year investigation by the Federal Bureau of Investigation and the United States Postal Inspection Service.

In 1998 and 1999, JOHN DELANEY was the Controller at Brightpoint, a public company with headquarters in Plainfield, Indiana. Around October 1998, Brightpoint issued a press release explaining that it was shutting down operations it had in the United Kingdom and setting out expected financial losses it expected to incur as a result of that action. Shortly after issuing the press release, it became apparent that the losses would exceed the amount predicted in

the press release. Brightpoint contacted American Insurance Group (AIG), an insurance conglomerate headquartered in New York to see if there was an insurance product sold by AIG that might cover these additional losses. Due to the way public companies account for insurance recoveries, there would be a benefit to Brightpoint if the losses were covered by insurance. After a few weeks of negotiation between a representative of AIG and a representative of Brightpoint, an agreement was reached. That agreement was carefully crafted to look like an insurance agreement but was not. An insurance agreement must transfer some element of risk from the insured to the insurer. This agreement was in fact nothing more than a round trip of cash from Brightpoint to AIG, then back to Brightpoint, so there never was any risk transferred to AIG. JOHN DELANEY was involved in parts of the negotiation of the agreement and had final responsibility for directing the accounting of the agreement at Brightpoint. He knew the agreement was not insurance because no risk was transferred, but he directed that Brightpoint's books and records reflect that it was insurance, thereby fraudulently covering up the additional losses attributable to the UK operation. The true nature of the agreement was eventually discovered and the benefits of it unwound by Brightpoint through restatements to its earnings. JOHN DELANEY subsequently traded some Brightpoint stock options knowing that the public information regarding Brightpoint's financial condition was not accurate due to the fraudulent accounting. He earned approximately \$330,000 on trading those stock options, which was the measure of the harm due to his fraud.

In sentencing JOHN DELANEY to 12 months probation, including 8 months home detention, Chief Judge McKinney noted the exceptional cooperation DELANEY showed with authorities from early on in the case. He confessed his role in the agreement, and he acknowledged that he accounted for the agreement improperly early in the SEC proceedings to

counsel for Brightpoint. He also subsequently fully cooperated with law enforcement authorities in explaining all that he knew about the agreement and the circumstances surrounding it.

According to Assistant United States Attorney Winfield Ong, who prosecuted the case for the government, the district court did not impose a fine in light of a \$100,000 fine already incurred by DELANEY in a related SEC proceeding. The SEC also enjoined DELANEY from serving as an officer or director of any public company.

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